

Annual General Meeting Century Australia Investments Limited

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The Best of Times.

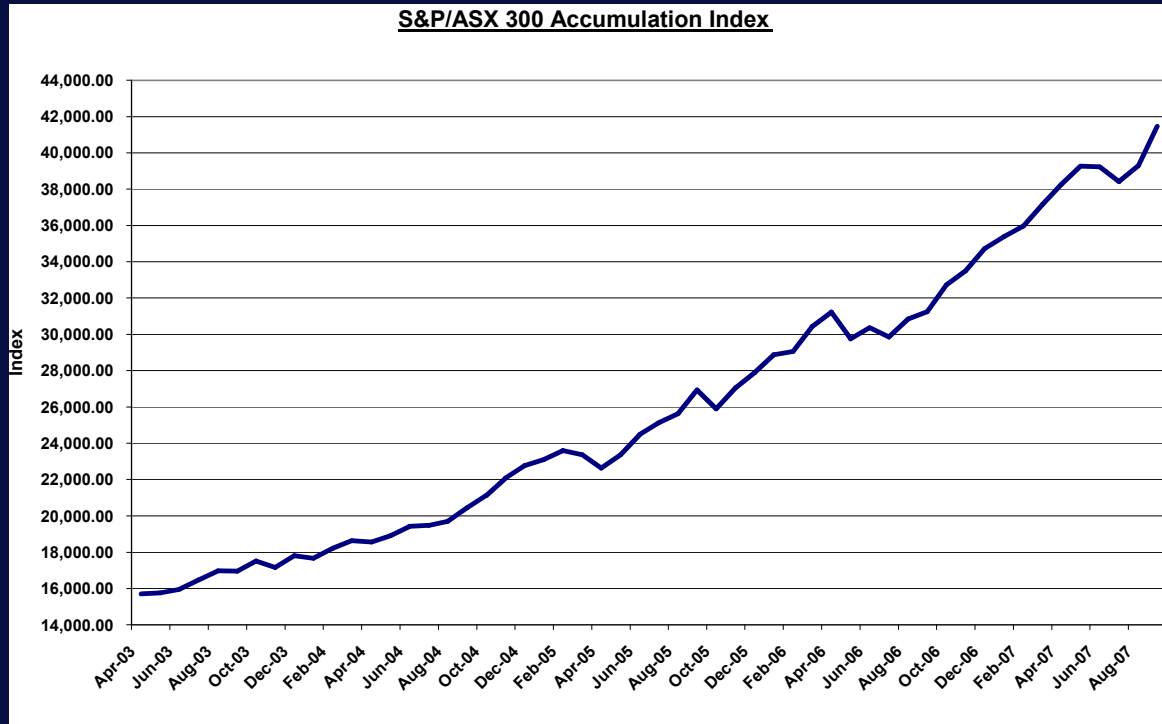
Are the Risks Increasing?

Four Key Points About the Way 452 Invests

1. Conservative debt levels
2. Through the cycle earnings
3. Not slaves to an index
4. Cash maximum is 30%

S&P/ASX300 Accumulation Index

April 2003 to September 2007



- The market has increased 164%
- Only one losing quarter since April 2003

Source: Colonial First State

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The Best of Times

- Very high commodity prices
- Very low unemployment
- Very strong consumer spending
- Very strong Australian Dollar
- Large Federal Government surplus
- Abundant cheap global money
- Low pricing of risk

Risk – A Recent Increase in Risk Premiums

Cheap Money

Spread between high-yield bonds and U.S. Treasuries, 1987-2007, in basis points



Source: JP Morgan

- The twenty year average is 5.4%
- In June 2007, a record low of 2.6% was reached
- We are still below the 20 year average

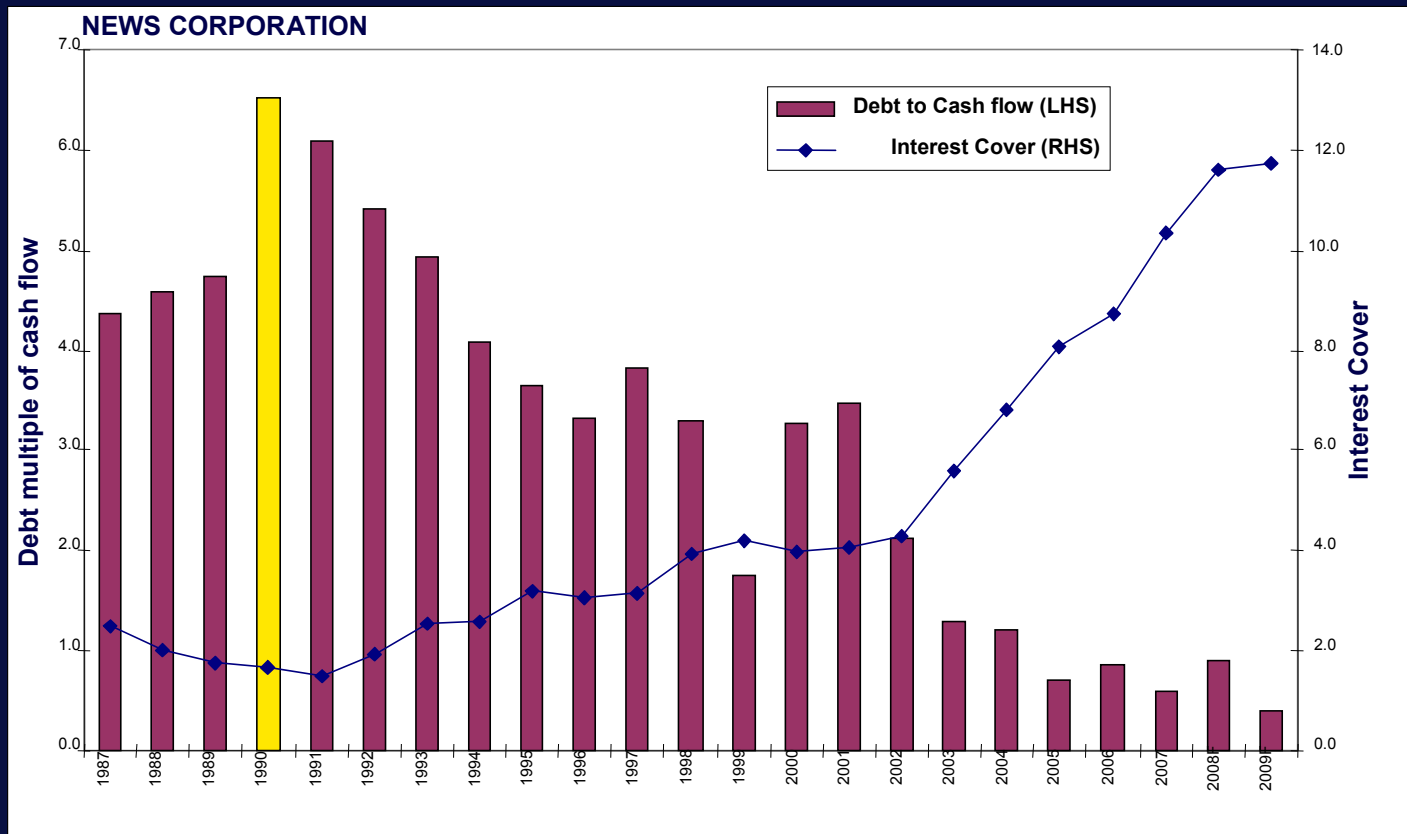
Source: Wall Street Journal, 20.9.2007

Risk (Continued) – Some Highlights to Remember

- Money has been abundant
- The pricing of money is global
- The use of borrowing has been massive
- The “return chase” has been on in earnest
- A return is always a function of risk
- Benchmarks do not measure risk

The Golden Age of Private Equity

Leverage ratios reached almost 7 times cashflow in 2007 – a record



Source: Credit Suisse

What are the Risks to the Australian Sharemarket?

- Operating conditions are almost the best they can be
- Optimism abounds
- Financials and mining companies represent over 50% of the benchmark
- Bank bad debts are at very low levels
- China has been a driver of the commodity boom
- China has a large exposure to the US consumer and US assets

Century's Portfolio (30 September 2007)

- 48 companies
- Cash 9%
- 5 largest holdings
 - 1. BHP 9% (reducing)
 - 2. National Australia Bank 8%
 - 3. Insurance Australia Group 5%
 - 4. AMP Limited 5%
 - 5. Telstra Corporation 5%
- No financial engineers
- Underweight banks, mining, property trusts
- No infrastructure

Case Study One

Rams

- Century/452 Capital will try not to invest in companies that are highly geared
- Rams had \$14.5 billion of debt
- Rams was a big beneficiary of easy and cheap money
- On listing Rams was borrowing at 18 points above bank bills
- Recently, \$250 million of Rams debt has been done at between 53 and 100 points above bank bills

Case Study Two

Benchmarks Do Not Measure Risk

- Benchmarks are determined by the size and liquidity of a company
- Benchmarks make no allowance for debt or whether a company makes money
- Fortescue Metals is yet to make money but is capitalised at \$13 billion
- \$13 billion would buy almost all of Australia's media assets

Case Study Three

BHP Billiton Limited

- Century's largest holding (9%)
- BUT it represents almost 12% of the benchmark
- BHP is now a very large company, worth around USD 220 billion
 - Microsoft USD 275 billion
 - AT&T USD 250 billion
 - Proctor & Gamble USD 220 billion
 - Wal-Mart USD 178 billion
 - HSBC USD 218 billion
 - Vodafone USD 198 billion
- BHP trades at a premium to net present value and 14 times earnings
- Commodity prices have never been higher

Summary

- High returns can equal high risk
- 1987 ► Equitilink versus Maple Brown
- Benchmarks make no allowance for risk
- 452 Capital's style focuses on balance sheet and earnings fundamentals

Current Portfolio Positions

Relative to the benchmark

Overweight

Insurance

Media

Telecommunications

Cash

Underweight

Resources

Building Materials

Infrastructure

Banks

Property Trusts

Top 10 largest stocks in the portfolio

Security Name	% of Portfolio
BHP Billiton Limited	8.8
National Australia Bank Limited	8.1
Telstra Corporation Limited	5.4
Insurance Australia Group Limited	5.2
AMP Limited	4.7
Westpac Banking Corporation	4.4
Alumina Limited	4.1
Australia and New Zealand Banking Group Limited	3.8
Coles Group Limited	3.7
Fairfax Media Limited	3.5

Data as at 30 September 2007
The portfolio held 9.6% in cash

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Questions?